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September 15, 2006

**VIA HAND DELIVERY**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

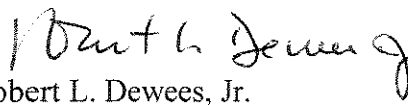
Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's response to the following Information Request:

DTE-BSG 3-10	DTE-BSG 3-12	DTE-BSG 3-13
DTE-BSG 3-16	DTE-BSG 3-17	DTE-BSG 3-18
DTE-BSG 3-25	DTE-BSG 3-26	

Please do not hesitate to telephone me or Patricia M. French, 508-836-7394, with any questions.

Very truly yours,

  
Robert L. Dewees, Jr.

RLD/rm  
Enclosure

cc: Paul Osborne (DTE)  
A. John Sullivan (DTE) (5 copies)  
Alexander Cochis, Assistant Attorney General (4 copies)  
Charles Harak, Esq. (UWUA)  
Nicole Horberg Decter, Esq. (USW)  
Service List

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
THIRD SET OF INFORMATION REQUESTS FROM THE DTE  
D.T.E. 06-31

Date: September 15, 2006

Responsible: Stephen H. Bryant, President

**CONFIDENTIAL BULK RESPONSE**

DTE-BSG-3-10      Please provide all studies, analyses, reports etc. pertaining to sales and sales projections for the Company (prepared by either Bay State or by NiSource on behalf of Bay State) during the years 1997 through 2006.

RESPONSE:      Below is a list of attachments pertaining to the Company's sales, sale projections, and sales performance for the years 1997 through 2006.

Attachment DTE-BSG-3-10 (a) for Monthly Sales Reports for 2006

Attachment DTE-BSG-3-10 (b) for Monthly Sales Reports for 2005

Attachment DTE-BSG-3-10 (c) for Monthly Sales Reports for 2004

Attachment DTE-BSG-3-10 (d) for Monthly Sales Reports for 2003

Attachment DTE-BSG-3-10 (e) for Monthly Sales Reports for 2002

Attachment DTE-BSG-3-10 (f) for Monthly Sales Reports for 2001

Attachment DTE-BSG-3-10 (g) for Monthly Sales Reports for 2000

Attachment DTE-BSG-3-10 (h) for Monthly Sales Reports for 1998

Attachment DTE-BSG-3-10 (i) for Monthly Sales Reports for 1997

Monthly Sales Reports for 1999 are unavailable.

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Responsible: Stephen H. Bryant, President

DTE-BSG-3-12      Please provide all documents, including, but not limited, to internal memoranda, reports, and analyses which relate to sales performance of the Company's sales division as a whole over the years 1997 through 2006.

RESPONSE:      Please see response to DTE-BSG-3-10.

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DTE-BSG-3-13      Please discuss in detail the Company's experience with quantifying the relationship in sales dollars with leads generated from the Company's advertising expense for natural gas conversion, builder/developer gas installation, rebates, and incentives.

RESPONSE:      The Company currently has no empirical data that quantifies the relationship between advertising expenses and their effect on conversions, builder/developer gas installations, rebates and incentives. In particular, Bay State has not recently used advertising dollars for builder/developer sales efforts. Therefore, no such analysis has been undertaken. Although Bay State did aggressively market residential conversions through advertising in the 1990's, marketing records from that time are not readily available. Further, the Company believes that the relationship between sales dollars and leads generated for conversions is currently irrelevant, except for low use upgrades. As a result of the increasing cost of installing a service on an existing street, and the ongoing trend of lower use per customer, a typical residential service installation just barely exceeds the Company's hurdle rate, leaving no room to fund an advertising campaign or rebates or incentives. The Company's position regarding commercial conversions is that sales activity is far more effective than marketing. While Bay State has done a small amount of commercial marketing over the last couple of years, it's intent is simply to raise awareness to aid the sales representatives in their efforts rather than result in specific load growth.

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Responsible: Stephen H. Bryant, President

DTE-BSG-3-16      Refer to the Company's response to UWUA 1-2, Attachment A at  
1. Please explain the term "IRVU" as used in the context of this  
satisfaction survey.

RESPONSE:      IVRU stands for the "Interactive Voice Response Unit" that  
customers have the opportunity to utilize when calling the Bay  
State Gas 800 number. The IVRU allows customers to get basic  
account information (i.e. account balance, date of last payment,  
due date, etc) as well as obtain information about customer  
programs, answer basic billing/meter reading questions and  
perform basic account functions such as enrolling in a budget  
payment plan or entering a meter reading, without the need to  
speak with a CSR.

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DTE-BSG-3-17 Refer to the Company's response to UWUA 1-2, Attachment A at 1. Please explain the reason for the decline in customer satisfaction with IVRU transactions indicated in this satisfaction survey.

RESPONSE: The Company's customer service "Overall Satisfaction with Automated Phone System" ratings have been relatively constant for the last 5 quarters ending 1<sup>st</sup> Quarter 2006, see Table DTE-BSG-3-17. Also, see Attachment UWUA 1-2 (b) page 2, Attachment UWUA 1-2 (c) page 2, Attachment UWUA 1-2 (d) page 2 and Attachment UWUA 1-2 (e) page 2. See also the Company's response to UWUA-4-03.

**Table DTE-BSG-3-17**

Overall Satisfaction with Automated Phone System

	<u>Current Quarter</u>	<u>12 Month Average</u>
1 <sup>st</sup> Quarter 2005	78%	69%
2 <sup>nd</sup> Quarter 2005	73%	70%
3 <sup>rd</sup> Quarter 2005	78%	73%
4 <sup>th</sup> Quarter 2005	72%	75%
1 <sup>st</sup> Quarter 2006	75%	74%

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DTE-BSG-3-18      Refer to the Company's response to UWUA 1-2 at Attachment A at 1. Please explain the reason for the overall customer satisfaction with time spent to complete IVRU transactions indicated in this satisfaction survey.

RESPONSE:      Please see the Company's response to UWUA-04-03.

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Responsible: Stephen H. Bryant, President

DTE-BSG-3-25      Refer to the Company's response to DTE BSG-1-10 c (Supp.) at 46, 82. Please explain how the Company intends to expand in New England if its sales office and organization are based in Pennsylvania?

RESPONSE:      None of Bay State's natural gas distribution sales organization, which is charged with, among other things, adding load to the Company's existing distribution network, is in Pennsylvania. As part of this sales organization, the Company maintains an Inside Sales group based in Portsmouth, NH, as it has since January of 2002. Bay State's field sales representatives are based in the Company's respective field offices. The Inside Sales group primarily takes inbound calls from prospective customers located in Massachusetts as well as providing back office support to the field sales group. The field sales representatives act as the Company's primary means for both selling to and supporting medium to large commercial and industrial growth opportunities.

Bay State has also launched a variety of commercial and industrial marketing initiatives to support the efforts of the field sales force.

- C&I Prospect Brochure mailed each year to approximately 1,500 prospects located on or near a natural gas main highlighting our expertise in the energy industry and the availability of conversion incentives.
- Existing C&I Customer Marketing Campaign mailed each year to approximately 1,500 existing customers who present the best opportunity for additional natural gas use.
- C&I On Line Newsletter emailed to approximately 600 existing customers and posted on baystategas.com, highlighting industry information, new technology and specific customer experience utilizing the technology. In addition, Company contact information and other industry web site links are included.

In addition, in an attempt to increase the use per residential customer, a residential low use campaign was added this year.



This was mailed to approximately 40,000 existing non-heating customers highlighting the benefits of high efficiency heating equipment versus fuel oil and the availability of incentives for conversion.

The only Bay State-related "sales" activity that is currently based in Pennsylvania is the Retail Services sales function, which is charged with, among other things, managing the Company's Guardian Care and water heater rental program. The Retail Services group is not directly responsible for load growth.

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DTE-BSG-3-26      Refer to the Company's response to DTE BSG-1-10 c (Supp.) At 128. Please identify and describe the Company's experience, positive or negative, associated with the move of the Kentucky and Ohio Customer Call Centers to Pennsylvania.

RESPONSE:      NiSource, IBM and Vertex worked closely in preparation for moving the calls from Ohio and Kentucky to the Smithfield, PA center. Prior to the scheduled cutover of calls for Ohio scheduled for September 1, 2005, it was identified that CSRs in Smithfield were not ready to handle all Ohio calls, so NiSource retained 30 CSRs for an additional 2 week period in Ohio, to allow for the necessary adjustments to staffing and training to be made in Smithfield. A similar situation occurred with the cutover of Kentucky calls to Smithfield prior to December 1, 2005. In this case NiSource retained 8 CSRs in Kentucky for 120 days to assist with calls. Members of the Kentucky management team were retained to monitor quality of calls and assist with answering questions from the Smithfield staff. In both cases, due to the number of new hires in Smithfield, the retention of a portion of the existing staffs became necessary. The plan was adjusted accordingly in order to minimize the impact of transition on operations.